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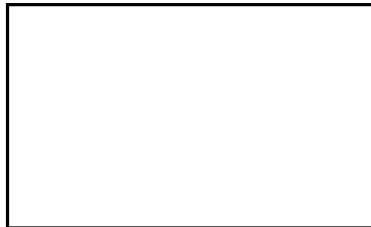
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NATIONAL INTELLIGENCE DAILY CABLE

Monday April 25, 1977

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Monday April 25, 1977.

The NID Cable is for the purpose of informing senior US officials.

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ETHIOPIA: Situation Report

25X1 [] *Ethiopian military authorities in Asmara yesterday took control of the operational site of the US Kagnew communications station after giving US personnel 10 minutes warning.*

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25X1 [] As of late yesterday all Kagnew personnel were safe in their residences or in the station's housing area. The acting US consul and the Kagnew commander were scheduled to meet this morning with an Ethiopian commission, comprised of top military and civilian officials, appointed to oversee the US withdrawal from facilities in Asmara. The consul has recommended that evacuation plans for consulate and Kagnew personnel be suspended pending the outcome of the meeting.

25X1 [] The American affairs officer in the Ethiopian Foreign Ministry had earlier told the US charge in Addis Ababa that there would be no undue pressure on the US to meet the four-day deadline originally set by the government for the evacuation of US personnel from the facilities ordered closed on Saturday. The Ethiopian official did not grant an extension of the deadline, but said the government had adopted a policy favoring an orderly withdrawal without harassment of US citizens. He said the government would provide security for US citizens and installations.

25X1 [] The official also stated that the US would be allowed access to all affected installations. This remark indicates that the denial yesterday of access to the USIS building in Addis Ababa by Ethiopian army forces may have been carried out by an overzealous commander. The authorities in Asmara are less likely to have acted without instructions from Addis Ababa when they occupied Kagnew.

25X1 [] The official's statement on the right of continued access, however, would appear to indicate that the US may have some leeway in negotiating the disposal of the remaining Kagnew equipment. The final decision will be made by strongman Mengistu, who may continue to deny the US access to Kagnew despite the Foreign Ministry official's assurances. []

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USSR-INDIA: Mission Reassurance

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[] Foreign Minister Gromyko will arrive in New Delhi today seeking reassurances that the new Indian government attaches the same priority its predecessor did to maintaining close relations with the USSR.

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[] Moscow long has regarded Indian Prime Minister Desai as one of the most pro-Western, right-leaning of India's political leaders, however, and India's reassurances probably will not be sufficient to dissuade the Soviets from their view that the Desai government will not be as friendly toward the USSR as the government of Prime Minister Gandhi had been. The Desai government, for its part, wants continued Soviet political, economic, and military support but also is seeking to make Indian foreign policy more genuinely nonaligned.

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[] Indian Foreign Minister Vajpayee has been sensitive to Soviet concerns; he received the Soviet ambassador in New Delhi before any other foreign envoy there and renewed India's six-month-old invitation to Gromyko to visit India. Gromyko accepted with alacrity because the Soviet leadership wants to meet personally with India's new leaders and because the Indians apparently said nothing about rescheduling President Podgorny's trip, which had been canceled at India's request after the death of its president in late February.

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[] During the visit, Gromyko probably will focus on the inconsistency in statements made by Desai and other members of his cabinet on relations with the USSR. Desai, for example, has spoken publicly of the importance India attaches to maintaining good relations with the USSR, but has also openly criticized the Soviet-Indian friendship treaty; Desai said that India no longer will have "special relations" with any one nation.

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[] Gromyko also will probe for signs of change in India's attitude toward the US and China. The Soviet embassy in New Delhi reportedly does not believe Gromyko will go into detail on economic problems--such as the ruble/rupee exchange rate--that had been troubling Moscow's relations with the Gandhi government. He probably will indicate a general Soviet readiness to resolve all problems at issue between the two governments. In their other dealings with the Indians since the elections, Moscow has been behaving on a business-as-usual basis.

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25X1 [] The Soviet foreign minister probably will invite Prime
25X1 Minister Desai to visit the USSR at his earliest possible convenience. []

USSR: Grain Crop Status

25X1 [] *The outlook for 1977 Soviet winter grains continues to be favorable, with winter losses still likely to be below normal. Soil moisture reserves have been unusually high across much of the Soviet grain belt since planting last fall, brightening prospects for both winter grain production and in most of the spring grain region. While this increases the probability of a bumper crop this year, grains that begin the growing season with abnormally high levels of soil moisture are especially vulnerable to mid-season droughts.*

25X1 [] Moscow announced on April 18 that spring grain sowing, excluding corn, had been completed on more than 16 million hectares, about one sixth of the spring grain area, and slightly ahead of the pace last year. A major shortfall in plowing last year due to poor weather conditions, however, has sharply delayed spring sowing in areas just north of the Ukraine. Unless the lag can be made up this month, spring crop yields could be lower in the affected regions.

25X1 [] Despite the generally good wintering conditions over most of European USSR, some parts of the Non-Chernozem Zone and the North Caucasus have suffered serious winter damage. According to Soviet officials, significant crop losses in both regions were caused by a cold snap last October. At that early stage of germination, and without protective snow cover, most of the fall-sown grains were not yet sufficiently hardy to withstand the low temperature.

25X1 [] Winter grain sowing was expanded in the fall of 1976 to cover 38.5 million hectares, the largest area since 1968 and 1 million hectares greater than last year. Most of the increased acreage is reportedly in the Ukraine, which accounted for about 11 million hectares of the total winter grain plantings, primarily winter wheat. Because of this year's large area of surviving winter grains, spring barley--the normal replacement crop for winterkilled grains--will not be planted as extensively as in 1976. []

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ARAB STATES: New Monetary Fund

[redacted] Finance ministers and central bankers from 20 Arab countries and the PLO formally established an Arab Monetary Fund early last week. The fund, the first regional version of the International Monetary Fund, will operate from Abu Dhabi. The agreement on the creation of the fund was reached a year ago, but only recently have a sufficient number of states ratified it.

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[] The Arab fund is intended to complement the facilities of the IMF. It will help member states with balance-of-payments deficits, stabilize Arab exchange rates, facilitate development of Arab financial markets, and work toward the eventual unification of Arab currencies. The fund is initially capitalized at \$900 million mostly in convertible currencies and, like the IMF, will offer short- and medium-term facilities at nominal interest or service charges.

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[] The heaviest claimants on the fund's resources are likely to be non-OPEC members that have balance-of-payments problems--Bahrain, Egypt, Jordan, Lebanon, Mauritania, Morocco, North Yemen, Oman, Somalia, South Yemen, Sudan, Syria, and Tunisia. By adding the facilities of the Arab fund to those of the IMF, short- and medium-term funds available will nearly double. This excludes compensatory financing for export short-falls of basic raw materials.

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[] Credit offered to Arab countries by the Arab Monetary Fund is likely to be made available with much less stringent domestic policy conditions than those demanded by the IMF. Many Arab and other debtor countries have found IMF terms objectionable.

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[] The seven OPEC countries that are members of the Arab fund will, as a block, have voting control. Conservative states such as Saudi Arabia and radical states such as Libya may find it difficult to reach agreement on conditions for borrowing.

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[] The poorer Arab states have already received large amounts of long-term support or project assistance from the oil-rich Arab states. In 1976, Arab OPEC members transferred more than \$2.5 billion in bilateral economic aid to non-OPEC Arab countries. Small amounts were administered by the Arab Fund for Economic and Social Development, an Arab League multi-lateral aid agency. []

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MOZAMBIQUE - SOUTH AFRICA: Ports

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[] *Conditions in the Mozambican port of Maputo are deteriorating rapidly despite vigorous efforts to keep cargo*

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moving by South Africa, which still depends on Maputo for handling a portion of its foreign trade. Shipping lines are threatening to stop calling at the port, which provides a major source of foreign exchange for Mozambique.

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[] Conditions at Maputo, one of Africa's largest ports, are so bad that shipping agents predict that no shipping companies will use the port by the end of 1977. The port still earns an estimated \$40 million annually in foreign exchange for Mozambique; loss of these revenues would be a severe setback to the already deteriorating economy.

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[] Equipment in the port works only sporadically, particularly in the important ore-handling area. Rail facilities are broken down and, as a result, ore-loading operations are haphazard. Ships scheduled to carry chrome ore are leaving the port empty; others are loading at general cargo docks. Harassment has made foreigners reluctant to work in Maputo and some freight forwarders have closed their offices there.

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[] South African authorities are disturbed. Although South African goods transiting the port are now less than half the level in 1975, it is the closest and best port to serve South Africa's industrial heartland. It is particularly important for the export of chrome ore from the nearby mines of the Eastern Transvaal. South African ports, now the main gateway for Rhodesian traffic and an important outlet for exports of Zairian copper, would be hard pressed to handle the additional volume that would result from a closure of Maputo.

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[] South African Railways, in attempting to keep the port operational, has supplied technicians and engineers for maintaining the traffic flow between Maputo and the South African border. South Africa has agreed to repair 19 damaged locomotives, virtually Mozambique's entire locomotive park, and provide four additional ones.

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[] The rapid improvement and growth of South Africa's own facilities ensure a gradual reduction in its dependence on Maputo. Ore-loading equipment rivaling that in Maputo has been installed in Durban, and some 400,000 tons of chrome ore reportedly is being diverted to the South African port.

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[] New container facilities will begin operation after July at Durban, Port Elizabeth, and Cape Town. Richards Bay, the area's biggest port development project, will provide another alternative. []

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IRAN - SAUDI ARABIA: Oil Pricing Dispute

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[] The official sales price for Saudi Arabian light crude, the benchmark for the oil produced by the members of the Organization of Petroleum Exporting Countries, is \$12.09 per barrel, f.o.b.--5 percent above the government sales price last year. The official price of Arabian medium crude is \$11.69--3.6 percent higher than in 1976. Most of these crudes are lifted by Aramco and are utilized within the parent company systems.

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ALGERIA: Cabinet Shuffle

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[] Algerian President Boumediene's cabinet shakeup last week, the first major reshuffle since 1970, broke up key economic responsibilities and further limited the powers of some of his immediate subordinates. Boumediene will continue to exercise strong control and to serve as defense minister.

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[] The most significant change was the demotion of Belaid Abdesselam, who as minister of industry and energy had dominated Algeria's economic development effort. He reportedly opposed Boumediene's uncompromising stance on Western Sahara. This opposition, and Belaid Abdesselam's poor health, probably accounts for his assignment to the less important post of head of light industry.

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[] Ahmed Ghozali, president of Algeria's state oil company, was appointed minister of energy and petrochemicals. Ghozali has had good working relations with officers of US companies.

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[] Two senior members of the council of the revolution were also demoted in an apparent effort to deprive them of their power base. Ahmed Draia, former chief of national police, was given the transport portfolio and Ahmed Bencherif, former gendarmerie commander, was put into the unlikely post of minister of environment and water resources. Draia's loyalty has seldom been questioned, but Bencherif had become one of Boumediene's sharpest critics during the past year.

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[] More cabinet changes seem likely. The present minister of tourism has been nominated to be ambassador to Washington; his replacement was not announced. The head of the Agriculture Ministry is another candidate for removal. []

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SENEGAL: Franco-African Summit

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[] *The conflict in Zaire overshadowed the proceedings at this week's 20-nation Franco-African summit in Senegal, scheduled months ago to address nonpolitical matters. Representatives of moderate African states, fearful of growing Soviet influence on the continent, apparently emerged from the summit hopeful that France and other European states would help protect them.*

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[] Although the formal sessions at Dakar hewed to a non-controversial agenda of economic and developmental topics, African leaders' concerns over events in Zaire--and to a lesser extent the Horn and southern Africa--permeated corridor discussions.

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[] Pro-Western leaders such as Ivory Coast President Houphouet-Boigny and Senegalese President Senghor went to the summit concerned over what they see as Soviet expansionism in Africa, with the Katangan thrust into Zaire as the latest example. Their worry about their inability to resist Soviet inroads has been mounting since the Angolan war, which they saw as a Soviet victory over the West.

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[] The pro-Western states were heartened by the French decision to provide direct assistance to Zaire, seeing it as welcome evidence that they, too, could count on France if directly threatened. The moderate Africans were probably further heartened by French President Giscard's statements in Dakar that:

--Every African country has a right to security within its frontiers, no matter what its political choice.

--Defense agreements between France and certain moderate African countries would apply fully if the security of the African states were threatened.

--France would back any African initiative aimed at continental arms limitation, an apparent reference to French concern over an arms race between moderate and radical francophone states.

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[] Giscard also indicated that he will raise the question of African security and development at international meetings, beginning with the May economic summit of seven industrial powers in London.

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[] After the summit ended on Thursday, there appeared to be an increased feeling among the moderates who attended that France, and to a lesser extent other European countries, could be counted on to shield them from external domination.

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[] The moderates did not openly discuss their perception of a Soviet threat at the general sessions because of the presence of such "progressives" as Benin, which have ties to the Soviets and which view the Zairian conflict as an internal problem.

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[] Senghor publicly mentioned an old proposal for a defense agreement among members of the francophone economic group--in West Africa--Ivory Coast, Senegal, Mauritania, Upper Volta, Niger, and Mali. The idea will be discussed at a meeting of the six countries in June but is unlikely to result in an effective security pact. Mali is heavily obligated to the Soviets and is therefore suspect by the others; pro-West nations such as Togo are not members of the economic group.

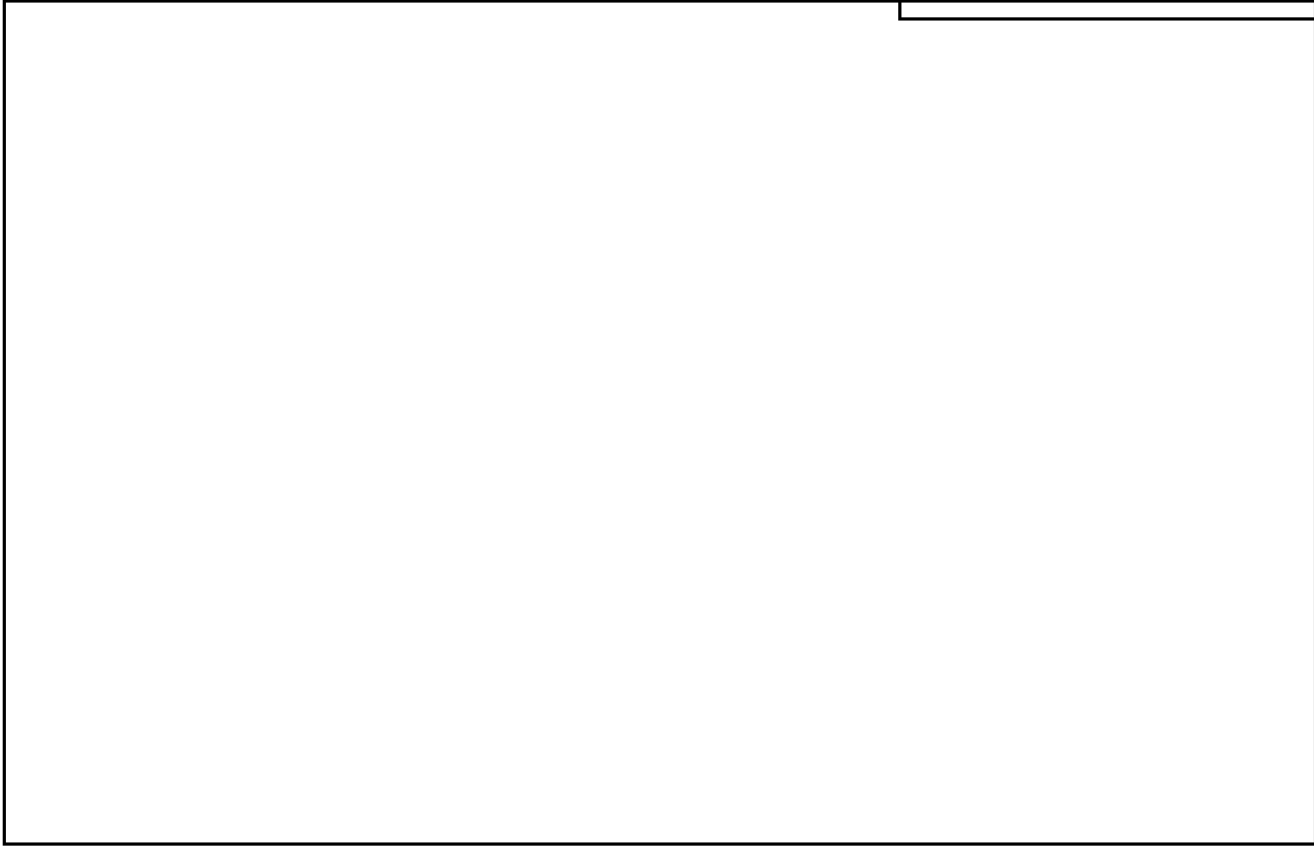
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[] In the end, the moderate states may be able to rely only on their own security agreements with France--and perhaps some assistance from like-minded African neighbors--in case of a direct military threat.

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[] France is still hopeful that the Africans themselves will evolve more effective coordination in the security field, leaving Paris free to maintain fruitful relations with both the moderate and radical francophone states. []

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PAKISTAN: Situation Report

[redacted] Prime Minister Bhutto has imposed censorship, arrested more opposition leaders, and extended the curfew--but not martial law--to a few more cities. Earlier government restrictions and arrests have had little effect on the opposition's campaign

to bring Bhutto down. The Prime Minister still depends on the continued willingness of the military to obey his orders; there has not yet been a significant test of the army's loyalty.

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[] Over the weekend, the government arrested most of the opposition leaders who were still free. Similar arrests in the past have only meant the emergence of new leaders who are just as determined to oust Bhutto. The new leaders selected after the arrests this weekend have called for a major demonstration on April 30 that will end at the Prime Minister's residence. The opposition also intends to continue the general strike indefinitely, despite orders from the military to return to work.

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[] The censorship of any news dealing even indirectly with the opposition could be more damaging than the arrests. The opposition has used press coverage to keep its supporters informed of its plans.

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[] Senior military officers may be supporting martial law in part because it has prevented serious violence--especially in Lahore--and consequently delayed the need for political decisions that the generals are reluctant to make. Their view could change, however, if there were a serious attempt to test the army's resolve in Lahore, or if martial law were extended to other parts of the Punjab, thereby greatly increasing the chance of a confrontation between the army and the populace.

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[] Opposition leaders in the Sind reportedly believe they must test the army's willingness to enforce martial law. There have already been several incidents, but the troops are still obeying orders, including those to shoot demonstrators and curfew violators.

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[] There have been a few minor incidents in Lahore, which is politically far more important than the Sind cities under martial law, but so far there has been no significant test of the predominately Punjabi army's willingness to act against fellow Punjabis. []

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